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SUBJECT: "THIS IS NOT A CRISIS" -- PREMATURE PREDICTIONS OF
BELGIUM'S DEMISE

Classified By: DCM Wayne Bush, Reasons 1.4 (b) and (d)

¶1. (SBU) Summary: Belgium recently passed an important milestone -- 100 days under a caretaker administration while the politicians try to form a government that can command a majority in parliament. This situation has precipitated an unwelcome (for the Belgians at least) deluge of speculation in the international and local media about the country's future. For reasons having to do with economics, culture, and politics, fears of Belgium's imminent demise are just plain wrong. Although the potential coalition partners resumed direct contacts on September 26, the current wrangle could well be prolonged and, rhetorically at least, ugly, as the political class struggles to fashion the next government's policies and final shape. As the formation process unfolds, the caretaker government appears ready to interpret its mandate in an increasingly expansive manner. End summary

How the current problem got started

¶2. (U) Belgium's June 9 general election marked a clear shift in voter sentiment. While the Flemish and francophone Christian Democrats picked up seats, the two socialist parties lost heavily. The Flemish Liberal party of current Prime Minister Verhofstadt held its own, while the francophone Liberals led by Finance Minister Reynders gained strength. The move toward the right created a strong expectation that formation of the next government would go smoothly, not least because the orange (i.e. Christian Democrats) and blue (Liberal) parties appeared to agree on all policy issues save the question of "institutional reform," a Belgo-speak phrase meaning a shift of responsibility for most social policy from the federal to the regional level. Although the institutional reform question appeared likely to spark verbal fireworks, political observers here expected the politicians to cobble together yet another Belgian compromise, one that offered something to the Flemish and francophones.

¶3. (SBU) What a difference a few months makes. As September ends, senior political leaders like Verhofstadt, Senate President De Decker, and Flemish Minister-President Peeters have told us bluntly not to expect much progress before the end of the year. Yves Leterme, the former Minister-President of Flanders and current CD&V (Flemish Christian Democrat) leader has returned his mandate to form a government and King Albert II is about to take a second stab at selecting a "scout" who might divine the outlines of a possible deal. The current scout is veteran CD&V politician Herman

Van Rompuy, who serves now as Speaker of Parliament.

14. (SBU) Press accounts and embassy contacts agree that the differences between the francophone and Flemish Christian Democratic and Liberal parties participating in the coalition formation process are simply too great to permit rapid movement toward an actual government. Making matters worse are the tangle of personal dislikes and jealousies that complicate personal relations between the leaders trying to form a government. If this were not bad enough, there also is the unmistakable distrust francophones have for Yves Leterme, the Flemish Christian Democrat who would be prime minister.

15. (C) Leterme's electoral triumph in June was based entirely on Flemish votes. In Belgium's singular political system, there are no national political parties and thus no reasons for politicians to pay much attention to the views of people on the other side of the language divide. This fact of electoral life is particularly evident in the CD&V (Flemish Christian Democrats), who shed most of their experienced leaders during eight years of opposition. Leterme and his colleagues have few personal links to leaders on the francophone side. Absent such connections, francophone leaders consider CD&V's alliance with the Flemish nationalists of the N-VA (New Flemish Alliance) as a sign of Leterme's extreme Flemish loyalties and not a matter of practical politics. To francophones, Leterme is little better than a closet separatist whose series of entertaining gaffes (like stumbling over the French wording of Belgium's national

BRUSSELS 00003021 002 OF 003

anthem) are signs of malevolent intent, and not political ineptitude.

How political realities on both sides of
the language border are shaping the dispute

16. (SBU) The coalition talks have foundered on certain constitutional and political realities having nothing to do with Leterme's personality. First, however badly the Flemish parties might want to effect change in the constitution, the absence of francophone support means they simply lack the two-thirds majority required for doing so. Similarly, the Flemish cannot unilaterally ram through a solution for the vexing problem created by a court order requiring the redistricting of the Brussels-Halle-Vilvoorde electoral district. Unless and until the potential coalition partners come up with solutions for these two issues, they will not begin to talk about other social, economic, or foreign policy questions.

17. (SBU) Francophone resistance to institutional change reflects several important realities, the most important of which involves money. The francophones fear that Flemish proposals to transfer responsibility for setting unemployment compensation, health care benefits, and welfare eligibility policies at the regional level will leave the French speakers at a distinct disadvantage. Given the smaller tax base of the Walloon region, there is no way the region would be able maintain benefits at their current high level even with the extra support the European Union provides to the region each year. The francophone Christian Democrats and Liberals also think any concession on institutional reform will make for bad politics. With the francophone Socialists hurting badly as the result of numerous corruption scandals, movement on

reform will shift the present narrative from left wing corruption to right wing sell out. The third major factor is philosophical. Too great a transfer of power to the regions could, according to people like francophone socialist leader Di Rupo, lead to the progressive enfeeblement of the state, and hence to its eventual dissolution.

¶8. (C) The Flemish demand for reforms is only partially about efficient government. A broad group of people in Flanders believe the dire economic situation in the French-speaking part of the country poses a serious threat to their own prosperity. Every news article highlighting a Socialist party scandal in the Walloon region convinces Flemings of the need to loosen their ties with that part of Belgium. Reports about the long-term unemployed enjoying 1,000 euro/month compensation or going on vacation to Malaga have a similar effect. The small but vocal minority clamoring for a full "divorce" from the francophones share this concern, to which they add a toxic mixture of racism and xenophobia.

Why this does not add up to an existential crisis

¶9. (C) Our soundings with a broad spectrum of leaders lead to two conclusions. First, the outlines of a deal already exist. On social policy issues, it will involve haggling about certain nationally mandated minimums, both in terms of fiscal measures and actual policies. The Flemish will offer dollops of cash to the francophones to sweeten whatever deal seems feasible. Even on constitutional reform matters, a sizeable minority in the French-speaking part of the country recognizes the need for a more rational and less expensive duplication of government functions. Second, the political class will continue to indulge the type of chest thumping about the failings of one group or another. This could go on till Christmas, or even early in the following year. After that point, the parties eager to form a government will want to get their hands on the federal budget, something they now are denied. (Note: The four big party leaders met for the first time in a month on September 26, and reportedly will continue to discuss the way forward over the coming days. Current indications are that they are

BRUSSELS 00003021 003 OF 003

still at the "talks about talks" stage. End note)

¶10. (C) One way to hasten a solution will be to involve the two socialist parties. Although the Flemish socialists have said they wished to remain in the opposition, their francophone counterparts appear willing to join the next government. Doing so would bring enough votes to secure a two-thirds majority, enough to bring about constitutional change. This remains a relatively remote possibility since Di Rupo has made clear that his party's votes will not come for free. The center and right parties are for now loathe to pay Di Rupo's expected high price.

What it means for the U.S.

¶11. (C) In the short-term, Belgium's political impasse has little impact on American interests. Caretaker Prime Minister Verhofstadt is determined to expand the definition of such a

government's responsibilities. He is particularly free to do so on the foreign policy issues of greatest concern to the U.S.

A crisis that stretched deep into the new year could cause more serious difficulties for the U.S. The constitutional requirement not to increase the previous year's budget and strict restrictions on monthly expenditure will complicate spending for military modernization, and limit the government's flexibility to undertake new operations, including in places where Belgian troops already are active such as Lebanon and Afghanistan.

¶12. (SBU) For now, Belgium can afford this crisis. It is in the euro zone and thus does not need to worry that its currency will tank based on fears, unfounded or not, of a prolonged government crisis. Belgium is one of if not the wealthiest country per capita in the EU. Belgians can afford the many layers of administration required to run federal, regional, community and local governments that divide powers over international trade, export controls, energy and other issues. At the end of the day, as one Belgian Senate staffer observed: "We Belgians are more concerned about what we are having for supper and which beer (or wine for the francophones) to have with it." Fox

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